

ANNUAL REPORT

2011

**ST. JOSEPH'S CREDIT UNION
of
SAN ANTONIO, TX**

MARCH 26, 2011



Safe under the umbrella of people helping people!

78 Years of Financial Service to our members.

“78th Annual Meeting Notice”

On January 7th, 2011, St. Joseph’s Credit Union was “Officially” 78 years old. A formal celebration was held at the Catholic Life Building, on March 26, 2011, at 12:00 p.m. The address is 1635 NE Loop 410, in the building lobby. Everyone reading this notice was invited to attend this event.

Following a short business meeting, there was an election held to fill three positions on the 2011 Board of Directors. There were only three spots open this year, and all were normal three year positions.

Debbie Abernathy was presented an award for 25 years of dedicated service to the credit union.

Refreshments were served after the meeting, and door prizes were awarded as well. All attending members were invited to stay and enjoy the company of their fellow members.

Please call the nearest SJCU/HCCU office for more information.

Meeting Agenda

78th Annual Membership Meeting

St. Joseph's Credit Union

March 26, 2010

12:00 P.M.

Lobby, Catholic Life Insurance Company

Call To Order

Pledge of Allegiance

Invocation

Welcome by the Chairman

Order of Business in Accordance with Bylaws:

- Ascertainment of Quorum
- Approval of Minutes from 77th Annual Meeting
- Report of Officials - (see reports)
- Unfinished Business
- New Business

Chairman's Remarks

Supervisory Committee Remarks

President's Remarks

Elections

Adjournment

Drawing of Door Prizes

Refreshments

CHAIRMAN'S REPORT

"78th Annual Membership Meeting" of St. Joseph's/Hill Country Credit Union

As your Chairman, I would like to thank all of my fellow Board Members, and Committees. As a group we have been extremely busy with the affairs of the credit union. We were faced with many challenges, and met them all with determination and professionalism. It is with a great deal of respect that I say, "**Job Very Well Done!**" Everything we attempted last year, we accomplished. SJCUC/HCCU has a strong group of volunteers, and it is my pleasure to work with each and every one of them.

We have another group worth mentioning, our Staff. Without their hard work, none of the success we've had in the past would have taken place. It amazes me to see a diverse group of individuals come together to form such a strong team. These people not only work well together, but they manage to deal with the needs of the members with pride and enthusiasm. They all come from different walks of life, but they seem to have formed a strong family unit. That is fitting, since we are a "Family" based membership.

Many difficult tasks presented themselves last year, which tested our resolve. Dealing with "**Unusual Government Requirements**" presented the most difficulty. It seems that every once in a while you come across a situation that taxes every ounce of your being. Due to the "Banking" industry meltdown, and the effects it had on the investment markets, we had to deal with regulatory bailouts of our own. Our industry has never accepted "Federal Funding", so we had to fund our own insurance replenishment. The CU industry remained as resilient as ever, as did the Board of Directors, Staff, and most of all SJCUC/HCCU. We met the challenges, and we have prevailed once again.

Not only does the Board face many daily obstacles, like the one mentioned above. We deal with all of the credit union issues that were created in our past. More importantly, we challenge each other with events yet to happen. As far as I can see, the credit union is in good hands, and seems to be getting stronger. The key to our continued success, and that of our families, rests in the hands of each of us, and that future looks increasingly bright.

Each year we ask you to bring in your friends, and family. They represent our extended future, especially our "**Children!**" If the credit union is to exist in the future, our children will be the reason. If we can offer them a place to do their business, we can extend everyone's quality of life. Growing a brand new group of loyal credit union members should be everyone's goal. I know it is the goal of this Board, but is it yours?

In closing, I challenge each of you to help SJCUC/HCCU. Start recruiting new members. Encourage your family, friends, and especially your children to join the credit union family. Everyone will benefit from your efforts, and why not "Volunteer?"

Best wishes to all,
Darrell Havel
Chairman of the Board

2010

Official Credit Union Family

Board of Directors

Darrell Havel, Chairman (2008-2011)
Roland DeWinne, Vice Chairman (2010-2013)
Mark A. Eisenhauer, Treasurer (2009-2012)
Thomas L. Stuebben, Secretary (2008-2011)
Jose P. Filio, Member (2010-2012)
Dennis Loth, Member (2010-2013)
Daniel S. May, Member (2009-2012)
Herbert W. Vorauer, Member (2008-2011)
Cynthia H. Whitehead, Member (2010-2013)

Supervisory Committee

Raymond Flume, Chairman
Anton Dettling, Member
Doris Dettling, Member
Jose P. Filio, Member

Loan Committee

Debra Abernathy
Darrell Lynch
Johanna Zapata

Staff

Darrell Lynch, President/CEO
Armando Rodriguez, EVP/CFO
Debra Abernathy, VP/COO
Gwen Alexander
Kay Atkin
Debra Castleman
Mayra Covarrubias
Cecilia "Ceci" Garza
Sylvia Gonzales
Carolyn Gross
Monika Hall
John Joehnk
Brenda Love
Kathleen Meurer
Elizabeth "Beth" Nicgorski
Hector Nieto
Johanna Zapata

Minutes
77th Annual Membership Meeting
St. Joseph's Credit Union
March 27, 2010
Catholic Life Insurance Company Building

The Chairman, Darrell Havel, called the meeting to order at 10:07 AM. Richard Darrell Lynch confirmed that there was a quorum present for the meeting.

Darrell Havel led the Pledge of Allegiance and gave the invocation.

Directors Present: Darrell F. Havel, Roland DeWinne, Thomas L. Stuebben, Daniel S. May, Herbert W. Vorauer, Anton Dettling, and Cynthia Hernandez Whitehead. Absent was Mark A. Eisenhauer. Representing the Supervisory Committee, Jose Filio was present. Darrell Havel announced that L. W. Tschoepe would be resigning the Chairmanship of the Supervisory Committee due to obligations with his business.

Motion was made by Cynthia Whitehead, seconded by James M. Mullen, Jr. to approve the minutes of the 76th Annual Membership Meeting as printed. Motion Carried.

Chairman, Darrell Havel welcomed the membership, introduced Board Members who were present and presented the Chairman's Report as printed in the program. In addition, Mr. Havel presented a service plaque to the family of Zeferino Hernandez for the many years of his service on the Board of Directors. A second plaque will be presented to the family of Louis Loth who also served on the Board for many years representing the Fredericksburg members. Louis Loth encouraged members to ask family members to join the credit union and to volunteer for credit union committees.

Darrell Lynch did not introduce the staff to the membership but asked members to introduce themselves to the staff who were all wearing the blue shirts.

Darrell Havel presented the Treasurer's Report for Mark Eisenhauer's Treasurer's Report, as printed in the program. Considering the economic crisis and challenges presented to the credit union last year the credit union continues to remain stable, making a positive net income.

The Supervisory Committee report was made by Jose Filio, committee member, for L.W. Tschoepe referring to the report as printed in the program. The Supervisory Committee plans and makes surprise cash counts at the various offices and acts as oversight to the credit union operations while safeguarding the member's deposits. Members were reminded that a new volunteer will be needed to replace L. W. Tschoepe.

President/CEO, Darrell Lynch, referred to the report written in the program. He opened the floor to questions to the membership. The following subjects were discussed: CD Suffix limitations, \$50 balance in IRA deposit account, requiring \$200 to deposit CD div into the money market account and other questions. Monika Hill suggested that the credit union should encourage children's accounts (piggy banks, coloring books and other ways), provide the branches with coin counters.

Further there were discussions of: The Christmas Club, The Credit Union's Web Site and its new service through Home Banking and of e-Statements, and the meaning of "Provision Account" and "Net Income after Provision" followed with a brief explanation of how the current economic crisis will touch the credit union through investments made by the "Corporate" credit unions (a Credit Union's Credit Union supplying operating and investment services to credit unions only).

Darrell Havel turned the chair over to Roland DeWinne, Chairman of the Nominating Committee. The nominating committee consisted of Roland DeWinne, Thomas Stuebben, and Darrell Havel appointed to propose a slate of members who want to serve as a Director. Written statements of their willingness to serve were received from the following members who are placed into nomination to fill three vacancies for a three year term: Anton Dettling, Mark Eisenhauer, and Dan May. Having received no nominations from the floor after three requests, a motion was made by L. W. Tschoepe, seconded by Arthur Lozano that nominations cease and the slate be elected by acclamation. There were no objecting votes. Motion Carried.

Darrell Havel resumed the chair and presented plaques in appreciation for their years of service on the Board of Directors to: James M. Mullin, Jr., L. W. Tschoepe, and Kenneth Bragg (Absent). Armando Rodriguez was recognized for completing 25 years of service. Darrell Havel thanked the Board and Staff for their dedication, and hard work.

There being no unfinished business or new business to be discussed, the chairman adjourned the meeting at 12:00 PM.

Door Prizes and Refreshments followed the meeting.

Darrell Havel, Chairman

Thomas Stuebben, Secretary

PRESIDENT'S REPORT

"Welcome to the 78th "Annual Membership Meeting."

I always enjoy attending these events. It stands as a reminder of the historical importance of the evening. Years ago a small group of people, much like yourselves, got together for the same reason. To form a "Credit Union." They needed the same things we all need now. A pleasant, and safe, place to transact their financial business.

Credit unions all over the globe have the same thing in common. Small groups that wanted to work together, to form a better life. Being free from the large banks, and having personal independence. This is what we all share even today. After 78 years, St. Joseph's Credit Union/Hill Country Credit Union still works to provide us with these things.

This is also why I have chosen this business, to continue my own career. I enjoy the spirit of the credit union movement. It has been good to me, and my family. My family will not use a bank. We only promote credit unions, and not because I work for one. It is because over time I have come to actually believe in the theories behind the business. I find it easy to practice what I preach. "It Works!"

I also enjoy sharing moments like this with my members. Expressing my true feelings about what we do. If I did not feel this way, I would be like anyone else, and change my line of business. "I'm not going to change right now!" I am here to tell you that I expect to be in this business for a little while longer.

Thank you again for attending today,

Darrell Lynch
President/CEO
St. Joseph's Credit Union
Hill Country Credit Union

TREASURER'S REPORT

The Statement of Conditions as of December 31st, 2010, can be found in the meeting package.

Here are a few highlights:

The "**Total Loan**" portfolio decreased from **\$38,213,853** in 2009, to **\$35,106,019** in 2010. Due to payoffs, and low loan demand in 2010.

"**Total Assets**" increased from **\$46,551,286** in 2009, to **\$49,868,258** in 2010. Most of the increase can be attributed to a significant number of new deposits being made.

The "**Capital Level**" remains at the high rate of **\$3,932,379** in 2010, which translates into a **7.45%** capital ratio.

"**Delinquent Loans/Charge Offs**" remain in line with our National Peer Group averages. Although "Net Charge Offs" were higher than normal in 2010.

"Bailout of the NCUA Insurance Fund and Southwest Corporate FCU."
In 2010, SJCUC/HCCU had negative "**Net Income**" of **<\$219,091>**. This was accomplished by the credit union paying \$110,739 to NCUA, and an additional \$221,151 to Southwest Corporate FCU, and adding @\$41,000 for NCUA, in 2011 (paid in advance). As you can see, the credit union would have made **over \$150,000**, had it not been for the bailout monies paid in 2010. No "Federal Funds" (TARP) were given to the credit union industry, so we had to pay our own way, and it looks like it will take at least the next 7-8 years.

An annual audit was performed in September 2009. The credit union was audited by the State of Texas (Credit Union Division). All reports showed acceptable levels of performance in 2009, with hopes of more fruitful results in 2010. SJCUC was examined again by the Texas Credit Union League, in November 2009. This audit was at the request of the Supervisory Committee.

I would like to report that St. Joseph's Credit Union is in Safe, and Sound, overall condition as of December 31st, 2010. There is no reason to believe that any conditions currently exist to cause a change in the near future.

Respectfully submitted,
Mark A. Eisenhauer
Treasurer

ST. JOSEPH'S C.U.
STATEMENT OF CONDITION

12/31/2010

ASSETS

700099	UNSECURED LOANS	1,535,238
701099	COLLATERIZED LOANS	32,661,361
701999	LINES OF CREDIT	599,694
704999	REAL ESTATE LOANS	525,988
707999	OTHER LOANS	119,153
719000	LOAN LOSS ALLOWANCE	<u>(335,415)</u>
	TOTAL LOANS	35,106,019
720001	ACCOUNTS RECEIVABLE	8,918
730001	CASH IN BANKS	577,191
740001	INVESTMENTS	13,332,828
750000	ACCRUED INTEREST	119,333
760000	PREPAID EXPENSES	90,263
770000	FIXED ASSETS	<u>633,706</u>
	TOTAL OTHER ASSETS	843,302

TOTAL ASSETS **49,868,258**

LIABILITIES

800999	ACCOUNTS PAYABLE	16,902
820999	TOTAL DIV PAYABLE	37,503
840999	TOTAL OTHER LIABILITIES	<u>112,512</u>

TOTAL LIABILITIES **166,917**

EQUITY

900002	Member Shares	11,398,974
902002	Total Checking Accounts	3,948,628
903001	Total Club Accounts	49,912
906001	Total IRA Accounts	3,211,818
908000	CD's	16,856,709
911000	MONEY MARKET	<u>10,522,011</u>
	MEMBERS SHARES	45,988,052
929999	RESERVE ACCOUNTS	1,553,141
939999	UNDIVIDED EARNINGS	<u>2,160,147</u>

TOTAL EQUITY **49,701,341**

LIABILITIES+EQUITY **49,868,258**

ST. JOSEPH'S C.U.

Income/Expense - MONTHLY & YEAR TO DATE

	12/31/2010	% Income 12/31/2010	12/2010 YTD	% Income 12/2010 YTD
<u>INTEREST INCOME</u>				
UNSECURED LOANS	13,405	7.64%	149,104	6.65%
COLLATERIZED LOANS	128,443	73.16%	1,666,693	74.37%
LINE OF CREDIT	5,135	2.92%	63,738	2.84%
REAL ESTATE LOANS	3,126	1.78%	40,335	1.80%
OTHER LOANS	516	0.29%	8,343	0.37%
INTEREST ON LOANS	150,625	85.80%	1,928,213	86.04%
INVESTMENT INCOME	5,159	2.94%	53,753	2.40%
TOTAL INTEREST INCOME	155,784	88.74%	1,981,966	88.44%
<u>INTEREST EXPENSE</u>				
TOTAL DIVIDENDS	37,083	21.12%	601,502	26.84%
TOTAL INTEREST EXPENSE	37,083	21.12%	601,502	26.84%
NET INTEREST INCOME	118,701	67.61%	1,380,464	61.60%
<u>PROV/LOSS PROVISIONS</u>				
PROV/LOSS PROVISIONS	13,500	7.69%	272,000	12.14%
TOTAL LOSS PROVISION	13,500	7.69%	272,000	12.14%
NET AFTER LOSS PROVISION	105,201	59.92%	1,108,464	49.46%
<u>OPERATING EXPENSES</u>				
COMPENSATION	42,838	24.40%	649,776	28.99%
TRAVEL & CONFERENCES	(3,260)	(1.86%)	19,118	0.85%
ASSOCIATION DUES	1,192	0.68%	13,879	0.62%
OFFICE EXPENSE	7,453	4.25%	98,281	4.39%
OPERATING EXPENSE	27,562	15.70%	305,327	13.62%
EDUC/PROMOTION EXP	4,624	2.63%	29,003	1.29%
LOAN SERVICING	2,564	1.46%	17,764	0.79%
OUTSIDE PROFESSIONAL	8,059	4.59%	85,200	3.80%
MEMBER INSURANCE	14,771	8.41%	142,994	6.38%
MISCELLANEOUS EXP	2,382	1.36%	3,291	0.15%
ANNUAL MEETING EXPENSE	(288)	(0.16%)	911	0.04%
Total Expenses	107,899	61.46%	1,365,546	60.93%
TOTAL OPERATING EXPENSE	107,899	61.46%	1,365,546	60.93%
<u>OTHER OPERATING INCOME</u>				
FEES & CHARGES	18,321	10.44%	234,231	10.45%
OTHER OPERATIONS	1,456	0.83%	24,911	1.11%
OTHER INCOME	19,777	11.26%	259,142	11.56%
TOTAL OTHER OP INCOME	19,777	11.26%	259,142	11.56%
<u>NON-OPERATING INCOME/EXPENSE</u>				
GAIN (LOSS) ON INVS	(33,527)	(19.10%)	(221,151)	(9.87%)
TOTAL NON-OP EXP/INC	(33,527)	(19.10%)	(221,151)	(9.87%)
NET INCOME	(16,448)	(9.37%)	(219,091)	(9.78%)

Credit Committee Report

The following is a list of outstanding loans ending December 31, 2010. Loans made are due to the combined efforts of the Credit Committee, Loan Officers, and Board of Directors:

Number	Type of Loans	Total Amount
863	New Auto	15,335,660
1229	Used Auto	16,199,515
5	Boats & Trailer	51,291
12	Motorcycle, Travel Travel Trailers	144,664
4	Home Improvement	31,070
566	Personal	2,772,902
2	Real Estate	188,336
16	Home Equity	285,851
300	MasterCard	432,145
2,997	Total	35,441,434

During 2010, loans decreased by \$3,074,339 or 8.67%. Most of the decrease was from new and used auto loans. 76% of member deposits were invested in member loans.

There were 8,767 members who provided the 2,997 Loans Outstanding.

The nations economic problems in the financial community impacted both deposits (increased) and loans (decreased) in 2010.

Respectfully Submitted,

Richard D. Lynch
Chairman
Credit Committee

Supervisory Committee Report

Assuring accountability is the function of your Supervisory Committee. In doing so, the committee determines whether the credit union's account records and reports accurately reflect operations. We also make sure internal controls are established, and effectively maintained, to safeguard the credit union's assets and protect member's interests.

A 100% verification of member accounts was performed in January 2011.

The Texas Credit Union Department (Austin) examined the records of SJCUCU covering the period ending September 30, 2009. An audit for the period of September 30, 2009 through March 31, 2011, is scheduled for April 2011.

The Texas Credit Union League followed the state regulators with a voluntary audit, which was conducted in November 2009. No material deficiencies were noted in either exam. An annual audit was scheduled to coincide with the Texas Credit Union Department exam in 2011.

Respectfully Submitted,
Raymond Flume, Chairman
Anton Dettling
Doris Dettling
Jose P. Filio

OFFICIAL BALLOT

St. Joseph's Credit Union

78th Annual Membership Meeting

Vote for a maximum of three (3) nominees by placing a check by each name you wish to select. You may vote for fewer than four, but a ballot with more than four votes will be voided.

Darrell Havel (Three Year Term)

Thomas Stuebben (Three Year Term)

Herbert Vorauer (Three Year Term)

_____ (nominated from floor)

_____ (nominated from floor)

_____ (nominated from floor)

Signature

Date